



discretionary trust

- A general discretionary trust may suit you if you have identified a particular group of people you want to benefit but you are not sure which of them in the future will need help, or in what proportions. For example, as a grandparent, you might like to set aside capital for your grandchildren including those who may be born later, even after your death. Some of them may be more in need than others and family and financial circumstances could change from year to year.
 - Alternatively, you may wish to benefit your children but be aware that some of them are already wealthy and may not wish to be made more wealthy by your intended gift.
 - A discretionary trust in favour of all your children and grandchildren would allow your children the choice of taking the benefit themselves or passing it on to their own children according to their particular circumstances.
 - Being the beneficiary of a discretionary trust gives no entitlement to receive anything from the Trust.
 - Who receives capital advances of the income arising is entirely at the trustees' discretion. No one has a fixed interest, as they do in a life interest trust. As a consequence the death of a beneficiary has no effect on the Trust Fund because the capital of the Trust is not regarded as part of the estate of the deceased person.
 - To be tax efficient, you, as the Settlor, and your spouse must be excluded from all benefit, otherwise the capital will still be regarded as yours for all tax purposes as if you had never created the trust. However, this rule does not apply if a discretionary trust is created by your Will as you would of course be dead.
 - Often the most favourable kind of trust will be the discretionary trust because of its flexibility. It can last for up to 80 years and income can be accumulated for up to 21 years.
 - Even the beneficial class can be enlarged by giving the trustees the power to introduce new beneficiaries as the need arises.
 - You might wish to make a lifetime settlement for the benefit of just your children and grandchildren but are worried that if you died your widow(er) might be in further need of capital or income; the Trust Funds would not then be available to help. To quell your fear you could include as a beneficiary ("my widow(er)") so that when, and only when, you die your spouse joins the beneficial class and the capital and income becomes available for his/her use if required.
 - Your elderly parents and other dependants could be helped with this type of trust as the subsequent death of that person would not cause inheritance tax to be paid at that time and so the Trust would continue for the benefit of the other class members.
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get in touch

To find out more about what we can do for you please contact:

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